



**MINUTES OF THE MAY 2, 2016 SPECIAL MEETING OF THE
PETALUMA HEALTH CARE DISTRICT BOARD OF DIRECTORS**

CALL TO ORDER

President Hempel called the meeting to order at 7:30 AM in the lobby conference room at 1425 N. McDowell Blvd.

PRESENT

Fran Adams, RN, BSN, Secretary
Elece Hempel, President
Robert Ostroff, MD, Vice President
Josephine S. Thornton, M.A., Treasurer
Joseph Stern, Board Member at Large

ALSO PRESENT

Ramona Faith, CEO, PHCD
Andrew Koblick, Controller, PHCD
Erin Howseman, Board Clerk, PHCD
Chris Manson, St. Joseph Health
Dennis Dugan, RN PVH, NUHW
Kitty Brown, RN PVH
Dan Miller, SEIU-NUHW

PRESENT REMOTELY

Panos Lykidis, GE Healthcare, Camden Group
Don Bouey, legal counsel for PHCD

MISSION AND VISION

Director Adams read the mission and vision of the Petaluma Health Care District.

The mission of the Petaluma Health Care District is to improve the health and well-being of our community through leadership, advocacy, support, partnerships and education.

Petaluma Health Care District envisions: A healthier community; a thriving hospital; local access to comprehensive health and wellness services for all.

CONSENT CALENDAR

A motion was made by Director Ostroff to approve the May 2, 2016 agenda, and the April 19, 2016 board minutes. Director Stern seconded the motion. This motion was passed by a vote of 5 ayes (Directors: Hempel, Ostroff, Thornton, Adams, Stern) and 0 noes.

PUBLIC COMMENTS

There were no public comments.

BOARD COMMENTS

Director Adams commented that she had concerns about the timing of public comments on board meeting agenda items, and according to her interpretation of the Brown Act, it would be possible for the board allow public comments after board discussion. Director Thornton stated that the board follows Rosenberg's Rules of Order under which public comment is scheduled at the beginning of the board meeting, and also after each agenda item where board would take action, so the board may consider the public comments. President Hempel noted that members of the community may speak to board members after the meeting and request that an item be placed on the agenda at a future board meeting; additionally the board can consider the timing of public comments at a future meeting.

ADMINISTRATIVE REPORT

PRESIDENT'S REPORT

President Hempel reported that the California Attorney General's recently completed report on the merger between St. Joseph Health and Providence, shows that St. Joseph's has contributed over \$100,000 to Petaluma People Services Center, (PPSC) of which President Hempel is the executive director. As this is an incorrect statement, the report is being corrected, and Ms. Hempel reported there is no conflict of interest.

CEO UPDATE

CEO Ramona Faith reported that there is a vacancy on the Sonoma Local Agency Formation Commission (LAFCO). Nominations for the position are restricted to members of the board of directors from the district, and if board members are interested in applying for the position, there are packets of information available. Ms. Faith announced that the awardee for the 2016 Health Care Hero Award is Officer Bill Baseman, of the Petaluma Police Department, who played a significant role in creating the Petaluma Sober Circle Program. Officer Baseman will be recognized at the PHCD Community Partnership Appreciation Breakfast on May 26, 2016. Ms. Faith reported that two organizations applied for the \$5,000 Nonprofit Health Equity Award: United Way to support Schools of Hope, and PPSC to support the Meals on Wheels program and Petaluma Bounty. Ms. Faith reported that she and Erin Hawkins, PHCD Community Outreach Program Manager, will be awarding Meals on Wheels Program and has consulted with legal counsel to ensure there is no conflict arising from the fact that a PHCD board member is affiliated with PPSC, the sponsor of Meals on Wheels. Ms. Faith stated that no PHCD board member was involved in the selection process, and one reason for the choice was PHCD would like to increase support for senior-related programs.

UNION PROPOSAL REGARDING PVH STAFFING ISSUES

Dennis Dugan, representative for the National Union of Health Care Workers at PVH, stated that the members of NUHW at PVH are in the process of negotiating a contract with SJH, and would like to propose contract language that would allow the union and the employer (SJH) to seek an outside third party binding resolution if there is a dispute that cannot be resolved by the union and the employer. Mr. Dugan stated that the union would like to request that the PHCD board consider acting as the third party in such disputes that the board chooses to arbitrate without any obligation to engage on any particular dispute. Mr. Dugan stated that the union would like to know the board's position on the proposal before it enters contract negotiations with the employer.

Public Comments

President Hempel asked for public comments. There were none.

Board Comments

CEO Faith asked about the language in the current contract to resolve issues. Mr. Dugan responded that there is no current contract. Mr. Dugan said the union's position is that there should be a binding decision for disputes in order to give both sides an incentive to resolve the dispute. Ms. Faith asked if there is language in the California Nurses Association (CNA) contract that addresses the issue. Kitty Brown, RN at PVH, responded that ancillary and support staff is covered under Title 22, which means that the acuity system determines it. Mr. Dugan stated that there is no comparable law outside of CNA to cover staff such as lab, food service and housekeeping employees. In response to a question, Mr. Dugan stated that an outside arbitrator would not necessarily have more knowledge and expertise than the PHCD board members.

Director Thornton asked if legal counsel had been consulted on the issue, because the board could be making decisions that would impact the financial position of the hospital, and so would impact the lease negotiations. CEO Faith stated that she would not recommend that PHCD involve itself in employee and employer relationships. Ms. Faith also stated that the union's contract should contain language that clearly defines how issues are to be resolved, and stipulates that a third party arbitrator should have expertise and knowledge in health care and hospital operations. Mr. Dugan responded that language in the contract addresses violations of the contract, but not staffing issues.

The board members agreed that they need more time and information, and could not make a decision at that point. President Hempel asked staff to contact ACHD to research if there are other health care districts who lease hospitals who are involved in arbitration of employee disputes. CEO Faith recommended that Mr. Dugan should take back to negotiations that the board believes there should be a process defined in the contract on how to resolve both staffing and non-staffing issues.

SCOPE OF WORK, QUALIFICATIONS AND BIDS RELATING TO FEASIBILITY OF PHCD OPERATING PVH AS A STANDALONE

Panos Lykidis of the Camden Group provided a document laying out details of the steps and the analytical elements to achieve the following two items:

1. Retrospective financial analysis including:
 - a. Review most recent 10 years of OSHPD data (Hospital Disclosure Report)
 - b. Estimate the flow of funds between PVH and St. Joseph Health during previous 10-year period

- c. Summarize data and analysis in a written report

Estimated Fees: \$25,000

2. Development of 5-year financial projections for PVH as a stand-alone hospital including:
 - a. Identify and estimate the costs to transition PVH to a stand-alone hospital
 - b. Perform historical market share analysis and develop inpatient and outpatient volume projections
 - c. Apply volume projection to create a 5-year financial projection
 - d. Summarize historical data and assumptions in a written report.

Estimated Fees: \$50,000

There was a board discussion about the relative merits of doing a retrospective financial analysis. Director Ostroff stated that the board should have several entities interpret the retrospective data which is already available to see if their conclusions are in agreement.

Mr. Lykidis stated that Camden Group developed and fleshed out the scope of work based on the two bullet points (No. 1 and No. 2 above) provided to the board by Wayne Fairchild so that the entities hired would be providing information based on the same points. Director Stern asked Mr. Lykidis if Camden could do Step 2 (Development of 5-year financial projections for PVH as a stand-alone hospital), without doing Step 1 (Retrospective financial analysis). Mr. Lykidis answered yes, that could be done. Director Adams asked how the financial costs could be compared without doing the retrospective. Mr. Lykidis answered that Camden would be considering what the costs would be if PHCD were to take over the operation of the hospital by looking at similar sized hospitals, rather than looking at the retrospective costs of SJH's operations which reflect SJH's experience.

Director Ostroff asked how Camden could determine the cash available on a daily and yearly basis without looking back to see what cash has been available in the last two or three years. Mr. Lykidis answered that Camden would need to build the financial statements based on volume projections going forward, and that Step 2 would give the board the information to decide whether PHCD can operate PVH as a stand-alone. Mr. Lykidis stated that Step 1 would give information about how well SJH has operated the hospital, to which Director Ostroff responded that Step 1 would provide value in negotiating a new lease with SJH. Director Thornton stated that in her opinion a new retrospective analysis would not yield different results than the financial reports from SJH or from investigations and audits done in the past.

Director Adams stated that much of the information for Step 1 has been gathered by Wayne Fairchild, and she proposed that Mr. Fairchild make a summary presentation to the board. Director Thornton stated that she would want to have an objective advisor (Camden Group) at the presentation which would require an expenditure from the board.

President Hempel summarized the discussion: should the board ask Wayne Fairchild to present his initial data on the high-level analysis between 2005 – 2015 to the board, with the participation of Camden Group and legal counsel, and at that point, should Camden Group advise the board regarding moving to Step 2 (Development of 5-year financial projections for PVH as a stand-alone hospital)?

Director Stern proposed the board hire Camden Group to complete Step 2, and independent of that, it would be worthwhile for negotiations with SJH to have the information about the previous 5 years. CEO Faith stated that there would be a cost, since Mr. Fairchild had submitted a contract with fees of \$125/hour. Director Ostroff proposed asking Mr. Fairchild for an estimate of his fees for presenting his data at a public PHCD Board of Directors Meeting Minutes 5-02-16

meeting. Director Thornton questioned Mr. Fairchild's qualifications for doing an analysis, considering the short time he was involved in running PVH. Director Ostroff stated that he feels that Mr. Fairchild is qualified.

Director Thornton recommended proceeding with both Step 1 and Step 2 simultaneously, since they are unrelated. CEO Faith requested clarification of Camden's involvement with Step 1, since the board has stated it would like to get input from two consultants on the indicators. Director Ostroff answered that Camden Group should hear the presentation, make a recommendation and give the board a second opinion on the consultant's data.

President Hempel made an amendment to the original motion made at the April 19, 2016 board meeting to have a public presentation of the retrospective financial analysis. CEO Faith is instructed to refine the scope of work with consultant Wayne Fairchild and put the presentation on the agenda of the next board meeting May 17, 2016. At the same time, the Camden Group will take existing data and do the projections as to the feasibility of PHCD operating PVH as a stand-alone hospital, and Camden will be asked to give a second opinion on the retrospective financial analysis of PVH. Ms. Faith is given authority within the budget of \$20,000 to contract with Wayne Fairchild. Director Ostroff seconded the motion.

Public Comment

Chris Manson, of SJH, commented that this was the first time SJH had seen the scope of work document, and it would have been helpful to have received it in advance in order to prepare a public comment. Mr. Manson stated that the agenda does not list the selection of a vendor to provide the analysis, so the public does not have an opportunity to know who the board is considering. Mr. Manson also questioned the timeline of the proposed analysis, given that the contract with SJH expires in January of 2017, and it would require a measure on the November 2016 ballot in order to ratify a new contract between PHCD and SJH.

Board Comments

President Hempel commented that the name of the consultant, Wayne Fairchild, was included in the motion made at the April 19, 2016 board meeting.

CEO Faith addressed the agenda item of Qualifications as the board had requested, and stated that the consultant's qualifications should include experience and expertise in the area of hospital finance and health care, and an understanding of healthcare finance trends as relates to revenue and operating expenses. Ms. Faith asked for the motion to be restated, and requested that Mr. Lykidis confirm that as the consultant for PHCD in the due diligence process he is comfortable with it.

President Hempel made an amendment to the original motion made at the April 19, 2016 board meeting to have a public presentation of the retrospective financial analysis of PVH, with Camden Group providing a second opinion on the analysis. Simultaneously, the Camden Group will work on developing a 5-year financial projection as to the feasibility of PHCD operating PVH as a stand-alone hospital. Director Ostroff seconded the motion. This motion was passed by a vote of 5 ayes (Directors: Hempel, Ostroff, Thornton, Adams, Stern) and 0 noes.

Mr. Lykidis stated that he would bring an individual from Camden Group's financial department to hear the public presentation.

INFORMATIONAL ITEMS

CEO Faith stated she had nothing to report.

ADJOURN TO CLOSED SESSION

President Hempel adjourned the meeting into closed session pursuant to: Government Code §54956.8 closed session; real property transaction; meeting with negotiator – 400 North McDowell Blvd.; the Camden Group.

ADJOURN TO OPEN SESSION

ADJOURN

President Hempel adjourned the meeting at 9:30 A.M.

Submitted by Fran Adams, Board Secretary

Recorded by Erin Howseman, Board Clerk

AMENDMENT TO THE MINUTES

On May 17, 2016, the following amendment was added before these minutes were approved:

Director Thornton stated that she objected strongly to the District using public funds to pay Wayne Fairchild to do the retrospective analysis.